

Later Stage Financing - Issues to Consider

Series A funding represents a key stage for many businesses—the point where they’ve grown from the seed level and are just beginning to optimize their user base and the products or services they may offer. At this point, things have gone beyond the idea stage, and you have a concrete concept that is ready to be presented both to the general public as well as the venture capital funds that generally participate in Series A funding.

When it comes to Series B funding, the issues are different and the company needs to have hit some key milestones before approaching investors for this round of funding. What investors are looking to do here is find a company that is finished with development, has proven that they have an audience, and are now ready to work towards success on a higher level. **In general**, Series B funding tends to run between \$7 million and \$10 million.

One thing to understand when it comes to Series B funding is that the issues aren’t the same as they are when it comes to earlier stages. For example, to get Series A funding, you need to do a lot to prove that your company’s product is valuable enough to consider investing in. For Series B funding, this is already a given, and what you need to focus on is not showing you aren’t a risk, but proving that your company is valuable enough to invest in. Valuation can take a variety of different forms, and some still call Series B funding “the hardest to raise.”

Why is this the case? Because Series B companies are all spending a lot of money in order to grow their teams, while still improving their product or service, and while all this is going on, they still need to prove their worth with customers and sales growth. A Series B investor is putting more money up, and while every investment is risky, later stage investors typically look for more certainty in return. The pressure is now on your team not to show how disruptive your concept is, but provide solid financial projections on where your company can go.

To do this, many companies looking for Series B funding need to do their research on not just their own potential, but what is changing in the overall market they are targeting. Investors will want to know more about your niche and that you are in a position not just to disrupt it, but to become a long-term fixture going forward. Having strong customers and month over month growth in sales are two indicators most investors will look for. It’s also important to make sure that you can showcase the quality and experience of your own leadership. This is similar to Series A funding, but in general, investors will be a lot more discerning due to the higher stakes.